Essentials of

Services Marketing

3rd Edition

11 Promoting Services AND EDUCATING CUSTOMERS

WIRTZ LOVELOCK

Learning Objectives

11.1 Explain why service employees are so important for the success of a firm.

11.2 Understand the factors that make the work of front-line staff demanding and often difficult.

11.3 Describe the cycles of failure, mediocrity, and success in human resources for service firms.

11.4 Understand the key elements of the Service Talent Cycle for successful human resource management in service firms.

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Learning Objectives

11.5 Know how to attract, select, and hire the right people for service jobs.

11.6 Explain the key areas in which service employees need training.

11.7 Understand the role of internal marketing and communications.

11.8 Understand why empowerment is so important in many front-line jobs.

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Learning Objectives

11.9 Explain how to build high-performance service delivery teams.

11.10 Know how to integrate teams across departments and functional areas.

11.11 Know how to motivate and energize service employees so that they will deliver service excellence and productivity.

11.12 Understand what a service-oriented culture is.

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Learning Objectives

11.13 Know the difference between service climate and culture, and describe the determinants of a climate for service.

11.14 Explain the qualities of effective leaders in service organizations.

11.15 Understand different leadership styles and realize the importance of role modeling and focusing the entire organization on the front line.

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11.1

11.1

Explain why service employees are so important for the success of a firm.

The importance of service personnel

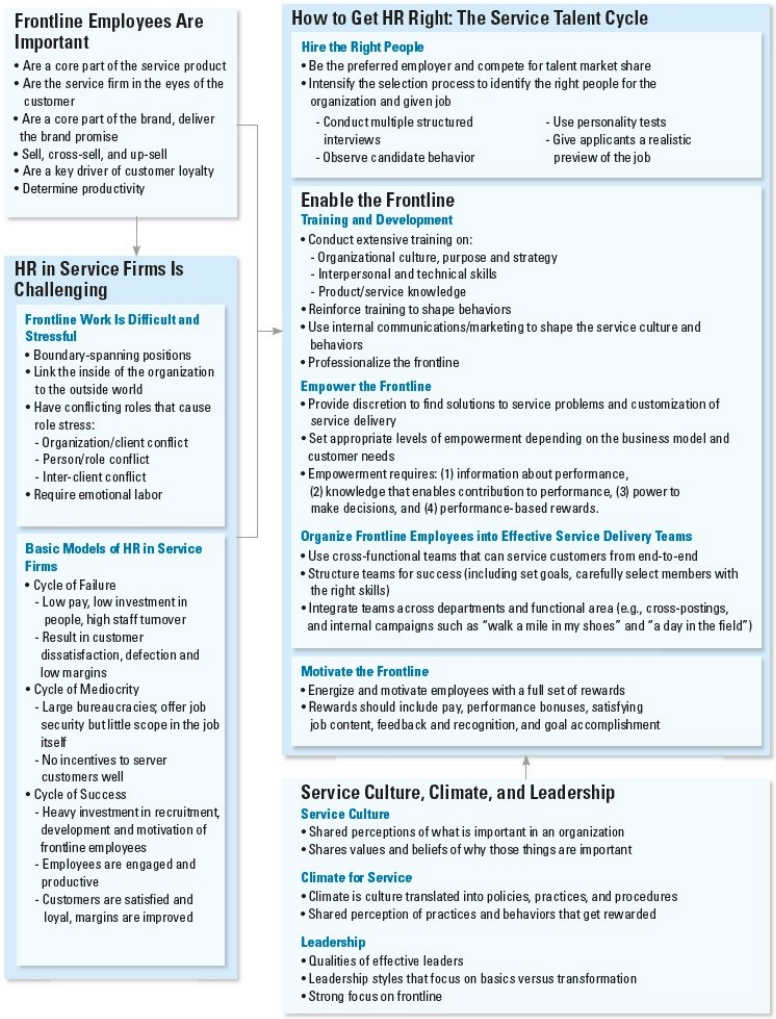
Frontline Employees Are Important
• Are a core part of the service product
• Are the service firm in the eyes of the customer
• Are a core part of the brand, deliver the brand promise
• Sell, cross-sell, and up-sell
• Are a key driver of customer loyalty
• Determine productivity
HR in Service Firms Is Challenging
Frontline Work Is Difficult and Stressful
• Boundary-spanning positions
• Link the inside of the organization to the outside world
• Have conflicting roles that cause role stress:
- Organization/client conflict
- Person/role conflict
- Inter-client conflict
• Require emotional labor
Basic Models of HR in Service Firms
• Cycle of Failure
- Low pay, low investment in people, high staff turnover
- Result in customer dissatisfaction, defection and low margins
• Cycle of Mediocrity
- Large bureaucracies; offer job security but little scope in the job itself
- No incentives to server customers well
• Cycle of Success
- Heavy investment in recruitment, development and motivation of frontline employees
- Employees are engaged and productive
- Customers are satisfied and loyal, margins are improved
How to Get HR Right: The Service Talent Cycle
Hire the Right People
• Be the preferred employer and compete for talent market share
• Intensify the selection process to identify the right people for the organization and given job
- Conduct multiple structured interviews
- Observe candidate behavior
- Use personality tests
- Give applicants a realistic preview of the job
Enable the Frontline
Training and Development
• Conduct extensive training on:
- Organizational culture, purpose and strategy
- Interpersonal and technical skills
- Product/service knowledge
• Reinforce training to shape behaviors
• Use internal communications/marketing to shape the service culture and behaviors
• Professionalize the frontline
Empower the Frontline
• Provide discretion to find solutions to service problems and customization of service delivery
• Set appropriate levels of empowerment depending on the business model and customer needs
• Empowerment requires: (1) information about performance, (2) knowledge that enables contribution to performance, (3) power to make decisions, and (4) performance-based rewards.
Organize Frontline Employees into Effective Service Delivery Teams
• Use cross-functional teams that can service customers from end-to-end
• Structure teams for success (including set goals, carefully select members with the right skills)
• Integrate teams across departments and functional area (e.g., cross-postings, and internal campaigns such as "walk a mile in my shoes" and "a day in the field")
Motivate the Frontline
• Energize and motivate employees with a full set of rewards
• Rewards should include pay, performance bonuses, satisfying job content, feedback and recognition, and goal accomplishment
Service Culture, Climate, and Leadership
Service Culture
• Shared perceptions of what is important in an organization
• Shares values and beliefs of why those things are important
Climate for Service
• Climate is culture translated into policies, practices, and procedures
• Shared perception of practices and behaviors that get rewarded
Leadership
• Qualities of effective leaders
• Leadership styles that focus on basics versus transformation
• Strong focus on frontline

Figure 11.2 Organizing framework: Managing people for service advantage.

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The importance of service personnel

- Help maintain firm's positioning. They are:
  - A core part of the product
  - The service firm
  - The brand
  - Affects sales
  - Is a key driver of customer loyalty
  - Determine productiv

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11.2

Understand the factors that make the work of front-line staff demanding and often difficult.

Frontline work is difficult and stressful

- Boundary spanners link inside of organization to outside world and often experience role stress from multiple roles they have to perform
- 3 main causes of role stress:
  - Organization vs. Client: Dilemma whether to follow company rules or to satisfy customer demands
    - This conflict is especially acute in organizations that are not customer oriented
  - Person vs. Role: Conflicts between what jobs require and employee's own personality and beliefs
  - Client vs. Client: Conflicts between customers that demand service staff intervention

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Frontline work is difficult and stressful

Emotional Labor

- "The act of expressing socially desired emotions during service transactions" (Hochschild, The Managed Heart)
- Occurs when there is gap between what employees feel inside, and emotions that management requires them to display to customers
- Performing emotional labor in response to society's or management's display rules can be stressful
- Good HR practice emphasizes selective recruitment, training, counseling strategies to alleviate stress

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Frontline work is difficult and stressful

Service Sweatshops

- Deployment of new technology and methods can change the nature of the work environment
- In many firms, face-to-face contact is replaced by the use of the internet or call-center services
- Such jobs can offer flexible working hours and part-time employment
- The work is often intense, with a high level of monitoring
- Motivated r stress

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11.3

Describe the cycles of failure, mediocrity, and success in human resources for service firms

The cycles of failure, mediocrity, and success

Cycle of Failure

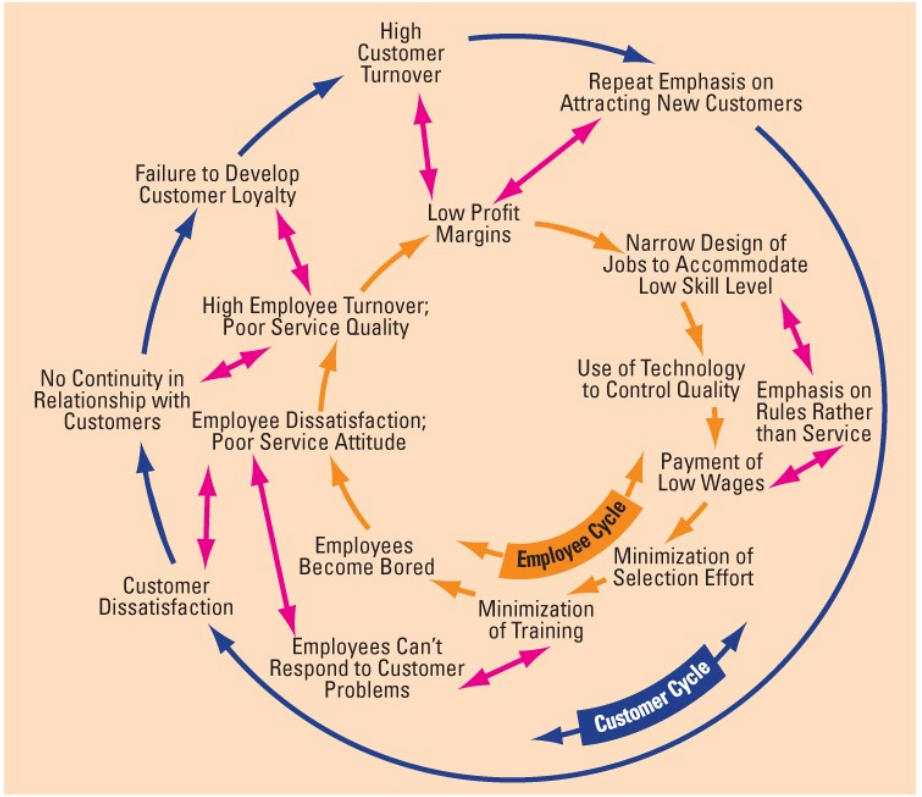
High Customer Turnover
Repeat Emphasis on Attracting New Customers
Failure to Develop Customer Loyalty
Low Profit Margins
Narrow Design of Jobs to Accommodate Low Skill Level
High Employee Turnover; Poor Service Quality
No Continuity in Relationship with Customers
Use of Technology to Control Quality
Emphasis on Rules Rather than Service
Employee Dissatisfaction; Poor Service Attitude
Payment of Low Wages
Employee Cycle
Employees Become Bored
Minimization of Selection Effort
Customer Dissatisfaction
Minimization of Training
Employees Can't Respond to Customer Problems
Customer Cycle

Figure 11.6 The Cycle of Failure.

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The cycles of failure, mediocrity, and success

The employee cycle of failure

- Narrow job design for low skill levels
- Emphasis on rules rather than service
- Use of technology to control quality
- Bored employees who lack ability to respond to customer problems
- Dissatisfied with poor service attitude
- Low service quality
- High employee turnover

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The cycles of failure, mediocrity, and success

The customer cycle of failure

- Repeated emphasis on attracting new customers
- Customers dissatisfied with employee performance
- Customers always served by new faces
- Fast customer turnover
- Ongoing [illegible]ers to maintain

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The cycles of failure, mediocrity, and success

Costs of short-sighted policies are ignored

- Constant expense of recruiting, hiring, training
- Lower productivity of inexperienced new workers
- Higher costs of winning new customers to replace those lost—more need for advertising and promotional discounts
- Loss of revenue stream from dissatisfied customers who go elsewhere
- Loss of potential customers who are turned off by negative word-of-mouth

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The cycles of failure, mediocrity, and success

Cycle of Mediocrity

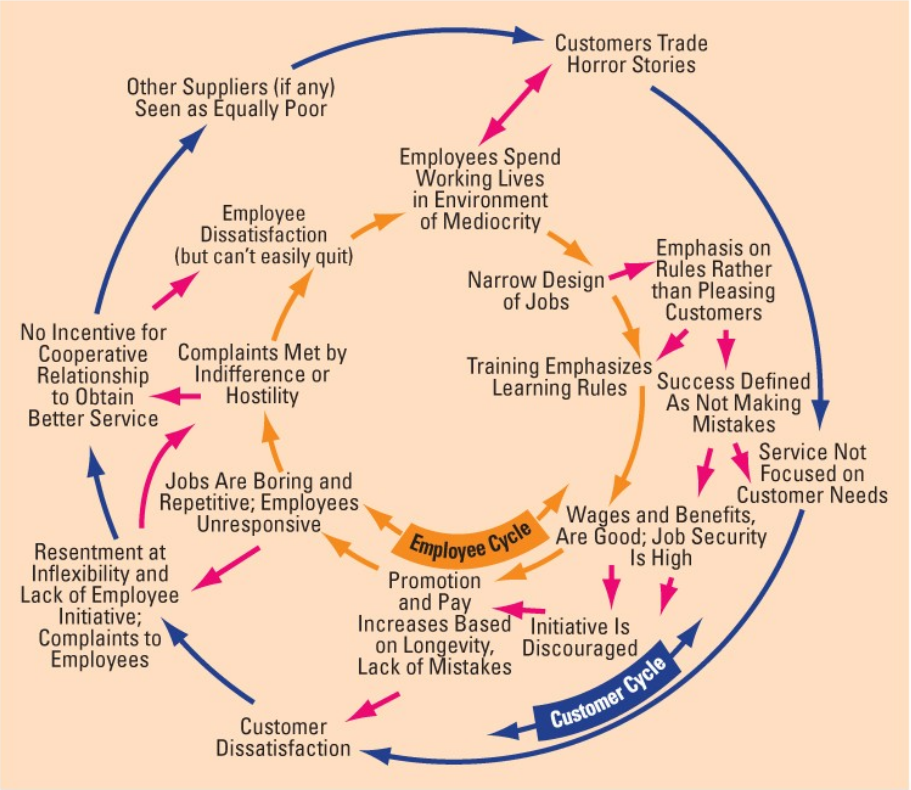
Customers Trade Horror Stories
Employees Spend Working Lives in Environment of Mediocrity
Emphasis on Rules Rather than Pleasing Customers
Success Defined As Not Making Mistakes
Service Not Focused on Customer Needs
Wages and Benefits, Are Good; Job Security Is High
Initiative Is Discouraged
Promotion and Pay Increases Based on Longevity, Lack of Mistakes
Customer Dissatisfaction
Resentment at Inflexibility and Lack of Employee Initiative; Complaints to Employees
Jobs Are Boring and Repetitive; Employees Unresponsive
No Incentive for Cooperative Relationship to Obtain Better Service
Complaints Met by Indifference or Hostility
Employee Dissatisfaction (but can't easily quit)
Other Suppliers (if any) Seen as Equally Poor
Narrow Design of Jobs
Training Emphasizes Learning Rules
Employee Cycle
Customer Cycle

Figure 11.9 The Cycle of Mediocrity.

SOURCE

Christopher Lovelock, "Managing services: The human factor." In W. J. Glynn and J. G. Barnes, *Understanding Service Management* 228, Chichester, (UK) John Wiley & Sons.

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The cycles of failure, mediocrity, and success

Cycle of Mediocrity

- Most commonly found in large, bureaucratic organizations
- Service delivery is orie
  - Standardized service
  - Operational efficiencies
  - Promotions based on lo service
  - Successful performance measured by absence c mistakes
  - Rule-based training
  - Little freedom in narrow and repetitive jobs

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The cycles of failure, mediocrity, and success

Cycle of Mediocrity

- Customers find organizations frustrating to deal with
- Little incentive for customers to cooperate with organizations to achieve better service
- Complaints are often made to already unhappy employees
- Customers often stay because of lack of choice

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The cycles of failure, mediocrity, and success

Cycle of Success

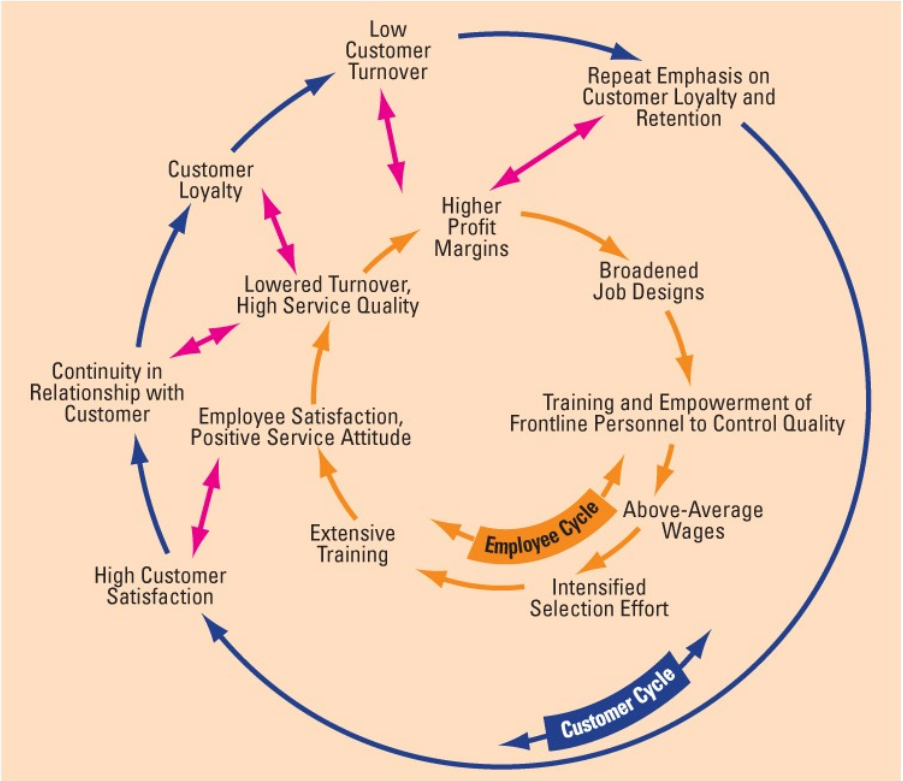

Figure 11.11 The Cycle of Success.

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The cycles of failure, mediocrity, and success

Cycle of Success (1)

- Longer-term view of financial performance; firm seeks to prosper by investing in people
- Attractive pay and benefits attract better job applicants
- More focused recruitment, intensive training, and higher wages make it more likely that employees are:
  - Happier in their work
  - Provide higher quality, customer-pleasing service

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The cycles of failure, mediocrity, and success

Cycle of Success (2)

- Broadened job descriptions with empowerment practices enable front-line staff to control quality, facilitate service recovery
- Regular customers more likely to remain loyal because:
  - Apprec ationships
  - Have h her quality

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11.4

Understand the key elements of the Service Talent Cycle for successful human resource management in service firms.

The Service Talent Cycle for Service Firms

Leadership that
• Fosters a strong climate for service with a passion for service and productivity
• Drives values that inspire, energize and guide service providers and leads by example
• Focuses the entire organization on supporting the frontline
3. Motivate and Energize Your People
• Utilize the full range of rewards
• Pay
• Performance bonuses
• Satisfying job content
• Feedback and recognition
• Goal accomplishment
1. Hire the Right People
• Be the preferred employer and compete for talent market share
• Intensify selection process to hire the right people for the organization and the given job
Service Excellence & Productivity
2. Enable Your People
• Build high performance service delivery teams
• Ideally cross functional, customer centric structure
• Develop team structures and skills that work
• Integrate teams across departments and functional areas
• Empower the Frontline
• Extensive Training and Development on
• Organizational culture, purpose, and strategy
• Interpersonal and technical skills
• Product/service knowledge

Figure 11.12 The Service Talent Cycle: Getting HR right in service firms.

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11.5

Know how to attract, select, and hire the right people for service jobs.

Hiring the right people

- Be the Preferred Employer:
  - Create a large pool: “Compete for Talent Market Share”
  - What determines a firm’s applicant pool?
    - Positive image in the community as place to work
    - Quality of its services
    - The firm’s perceived status
- Select the right people:
  - There is no perfect employee
    - Different jobs are best filled by people with different skills, styles or personalities
    - Hire candidates that fit firm’s core values and culture
    - Focus on recruiting naturally warm personalities for customer-contact jobs

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Hiring the right people

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Tools to Identify the Best Candidates (1)

- Employ multiple, structured interviews:
  - Use structured interviews built around job requirements
  - Use more than one interviewer to reduce "similar to me" biases
- Observe candidate behavior:
  - Hire based on observed behavior, not words you hear
  - Best predictor of future behavior is past behavior
  - Hire those with service excellence awards and complimentary letters

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Hiring the right people

Tools to Identify the Best Candidates (2)

- Conduct personality tests:
  - Willingness to treat co-workers and customers with courtesy, consideration and tact
  - Perceptiveness regarding customer needs
  - Ability to communicate accurately and pleasantly
- Give applicants a realistic preview of the job:
  - Chance for candidates to "try on the job"
  - Assess how candidates respond to job realities
  - Allow candidates to self select themselves out of the job

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11.6

Explain the key areas in which service employees need training.

Training service employees actively

- Service employees need to learn:
  - Organizational culture, purpose and strategy
    - Get emotional commitment to core strategy and core values
    - Get managers to teach “why”, “what” and “how” of job
  - Interpersonal and technical skills
    - Both are necessary but neither alone is enough for performing a job well
  - Product/service knowle
    - Staff’s product knowledge key aspect of service quali
    - Staff must explain product features and help consume make the right choice

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11.7

Understand the role of internal marketing and communications.

Internal marketing and communications

- Especially necessary in large service businesses that opera in widely dispersed sites
- Employees need to be kept informed about new policies, changes in service features, a new quality initiatives
- Nurtures team spirit and supp common corporate goals acr national frontiers
- Can complement training
  - ensures efficient and satisfactory service delivery
  - achieves productive and harmonious working relationships
  - builds employee trust, respect, and loyalty

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11.8

Understand why empowerment is so important in many front-line jobs.

The importance of empowerment

- Empowerment is most appropriate when
  - the firm's business strategy is based on personalized, customized service and competitive differentiation
  - emphasis is on extended relationships rather than short-term transactions
  - complex and non-routine technologies are used
  - service failures are non-routine and cannot be designed out of the system
  - the business environment is unpredictable
  - managers are comfortable letting employees work independently for the benefit of firm and customers

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The importance of empowerment

- Requirements for Empowering the Front Line
  - Information about organizational, team, and individual performance
  - Knowledge that enables employees to understand and contribute to organizational, team, and individual performance
  - Power to make decisions that influence work procedures and organizational direction at the higher level and transaction-specific decisions at the micro level
  - Rewards based on organizational, team, and individual performance

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The importance of empowerment

Levels of Employee Involvement

- Suggestion involvement
  - Employee make recommendation through formalized programs
- Job involvement
  - Jobs redesigned
  - Employees retrained, supervisors reoriented to facilitate performance
- High involvement
  - Information is shared
  - Employees skilled in teamwork, problem solving, etc.
  - Participate in management decisions
  - Profit sharing and stock ownership

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11.9

Explain how to build high-performance service delivery teams.

Building high-performance service delivery teams

- Many service require cross-functional coordination for excellent service delivery
- Teams, training and empowerment go hand-in-hand
- Creating Successful Service Delivery Teams
  - Emphasis on cooperation, listening, coaching and encouraging one another
  - Understand how to air differences, tell hard truths, ask tough questions
  - Management needs to set up a structure to steer teams towards

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11.10

Know how to integrate teams across departments and functional areas.

Integrating teams across departments and functional areas

- Ways to reduce conflict and break down the barriers between departments
  - Transferring individuals internally to other departments and functional areas.
  - Establishing cross-departmental and cross-functional project teams.
  - Having cross-departmental and cross-functional service delivery teams.
  - Appointing individuals whose job is to integrate specific objectives, activities, and processes between departments.
  - Carrying out internal marketing, training, and integration programs
  - Having to ent to ensure that the overa rtments are integrate

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11.11

Know how to motivate and energize service employees so that they will deliver service excellence and productivity.

Motivating and energize service employees

Use full range of available rewards effectively, including

- Job content:
  - People are motivated and satisfied knowing they are doing a good job
- Feedback and recognition:
  - People derive a sense of identity and belonging to an organization from feedback and recognition
- Goal achievement:
  - Specific, difficult but attainable and accepted goals are strong motivators

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11.12

Understand what a service-oriented culture is.

What is a service-oriented culture?

- Organizational culture involves:
  - Shared perceptions or themes regarding what is important in the organization
  - Shared values about what is right and wrong
  - Shared understanding about what works and what doesn’t work
  - Shared beliefs and assumptions about why these beliefs are important
  - Shared styles of working and relating to others
- Service culture is defined by
  - Shared perceptions of what is important in the organization
  - Shared values and beliefs about why those things are important.

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11.13

Know the difference between service climate and culture, and describe the determinants of a climate for service.

Service climate and culture

- Organizational climate
  - The shared perceptions of employees about the practices, procedures, and types of behavior that get supported and rewarded in a particular setting
  - Employees form perceptions based on daily experiences with HR; operations; marketing; and IT policies, practices, and procedures
  - Essential features of a climate for service include clear marke the best

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11.14

Explain the qualities of effective leaders in service organizations.

Effective leaders in service organizations

- Qualities of effective leaders in a service organization:
  - Leaders should love their business.
  - Leaders should be driven by a set of core values that are related to service excellence and performance.
  - Leaders must recognize the key part played by employees in delivering service.
  - Effective leaders can involve the team in decision-making rather than dominating the process.
  - Leaders must be able to role model the behaviors they expect
  - Effective leaders have a talent for communicating with others in a way that is accessible.

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11.15

Understand different leadership styles and realize the importance of role modeling and focusing the entire organization on the front line.

Leadership styles, role modelling, and the front line

- There are two leadership styles in a service climate:
  - management of the “basics”
  - transformational leadership that sets strategy and drives change However, both are important.
- Persistent management of the basics and endless details create a strong climate for service:
- Leaders create a strong climate for service when they :
  - demonstrate commitment to service quality
  - set high standards, recognize and remove obstacles
  - ensure the availability of the resources required to do it

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Thank You.